

# Statement of the Supervisory Board



Although most banking executives remember 2009 as an incredibly intensive year, 2010 raised the bar again for intensity. This time, however, the bulk of our efforts were internal, as we were working on a major reorganization of our Group. Raiffeisen International, the former parent company of ZAO Raiffeisenbank, was merged with the principal business areas of Raiffeisen Zentralbank (RZB) to form Raiffeisen Bank International (RBI), which was entered in the commercial register in October. One of the goals of the merger was to combine the dense network of Raiffeisen International in CEE with RZB's product development expertise in the field of corporate and investment banking, thereby generating added value for both our customers and shareholders. In addition, RBI now benefits from even better refinancing opportunities – where Raiffeisen International previously accessed the equities market and RZB used the debt market, the new RBI can now access both.

2010 was also the year in which our home market Central and Eastern Europe (CEE) showed the first signs of improvement, after the outflow of liquidity at year-end 2008 and the resulting economic downturn. The sharp declines in growth in 2009 were replaced by a return to real gains in economic performance. Besides the growing stabilization in CEE, economists expect that these markets will return to a higher level of growth than in the eurozone. We expect economic growth in CEE to be around 2 percentage points greater than in the western European economies. The driver for this trend is the continuing high potential for catch-up in the region, which should re-emerge in the long term as Europe's growth zone. Despite the merger and resulting expansion of our area of activity, CEE will continue to be the central focus of our strategy.

Our result for 2010 shows that we took the right countermeasures during the crisis. Despite the continuing slight rise in nonperforming loans, which we expect to finally peak in the course of 2011, the RBI Group achieved a consolidated profit of EUR 1,087 million. This represents growth of 142 per cent on the previous year, which is a strong performance even by international comparison. The emerging economic recovery, the measures initiated in the current year to improve our efficiency and competitiveness as well as the trust shown by our customers and shareholders give me confidence for our whole group for 2011.

In 2010, ZAO Raiffeisenbank delivered excellent performance figures. They were achieved, in my opinion, as a result of our timely decision-making and proper prioritization.

It is worth noting that our Russian unit has been one of the leaders among the banks of the Group in terms of earnings for many years now. In 2010, the bank's net income grew by more than thirty per cent compared with 2009, making it the bank that contributed most to the Group's overall profit.

The high level of reliability of Raiffeisenbank is also reflected in its credit ratings. In 2010, the rating agency Standard & Poor's raised the bank's long-term rating to the sovereign level (BBB, stable), which as of now makes it the only Russian private financial institution with such a high rating.

Raiffeisenbank has the best financial stability rating among Russian banks according to the rating given by the agency Moody's (D+, stable). Also in 2010, the rating agency Fitch improved the long-term rating outlook of the Bank to positive (BBB+, positive).

We are determined to further expand our business in Russia and we will strive for even better performance figures. We view the current state of the Russian economy with optimism and we are confident that our business will continue to develop favourably.

I thank the board and staff of Raiffeisenbank for their invaluable contribution to the company's success. I also express my appreciation to our customers and partners, thanking them for their trust. We will make every effort to ensure that we will continue to work together in a partnership based on mutual respect and the pursuit of success.

I am sure that our Group will continue to develop successfully, based on both the economic recovery and our continued work to improve our efficiency and competitiveness and to further develop the trust of our customers.



Herbert Stepic  
CEO of Raiffeisen Bank International  
Chairman of the Supervisory Board of ZAO  
Raiffeisenbank

On behalf of the Supervisory Board, which  
includes:

Heinz Wiedner  
Martin Grill  
Aris Bogdaneris  
Peter Lennkh

# Statement of the Chairman of the Board



I am proud to report that in 2010 Raiffeisenbank has achieved excellent financial results and continued to earn the trust of customers, partners and shareholders. In 2010, Raiffeisenbank, along with the entire Russian banking system, entered a new stage of development after the difficult situation in the global economy.

2010 was a period of recovery for the Russian economy and banking system. However, virtually all the elements of this system underwent change, as a result of which the conditions and criteria of the banking business are now fundamentally different. In 2010, we earned one third more in profit after tax than in 2009, and this serves as a confirmation of the excellent results of our work..

As a universal bank with its focus on individuals and corporate clients as well as on investment banking operations, Raiffeisenbank achieved excellent performance figures in all these segments. The corporate loan portfolio amounted to RUR 225 billion at year-end 2010, and the retail loan portfolio exceeded RUR 78 billion.

With regard to the servicing and financing of legal entities, the bank feels more confident than ever in all of its client segments, and our performance figures in this sector are much better than the market average. Despite the high level of competition in the corporate lending market, we managed to grow our loan portfolio. At the end of the year, the corporate loan portfolio amounted to 73 per cent of the overall loan portfolio. We are particularly pleased that we strengthened our partnerships with large companies and continued to expand our range of products and services for small and medium-sized businesses.

In 2010, Raiffeisenbank confirmed its position as one of the leaders in syndicated lending, and arranged deals for Russian borrowers in the retail sector, the energy, chemical, mining and metallurgy industries as well as the banking sector, which in total amounted to over USD 8.3 billion.

We also continued to develop our investment banking operations, and quite successfully so. We acted as arranger or co-arranger of 17 corporate bond issues with a total nominal value of more than RUR 148 billion, which made us one of the leaders in the Russian corporate bond market in the year under review. We consider it a special appreciation of our work that Raiffeisenbank received the prestigious Cbonds Awards for «The best initial public offering of bonds,» «The best team for the arrangement of bond issues» and «The best agent for the restructuring of bonds.»

The bank took full advantage of the opportunities provided by the favorable conditions in the bond market, in terms of the excellent performance figures from trading operations, the large volume of issues arranged for clients, and the placement of its own three-year bonds worth RUR 5 billion at an unprecedented low yield.

In retail business segment, we focused on further developing our long-term strategy – the forming of mutually beneficial partnerships with our clients. I am pleased to state that in 2010 we implemented an entirely new approach to assessing the credit history of our borrowers. We now have differentiated interest rates on consumer loans, which are especially beneficial for our regular clients. In addition, we are offering special terms on credit cards for our customer group. In 2010, we launched the «Premium Package» for clients who want personalized service and extra privileges.

Much work has been done to improve our remote banking services, as well as the Customer Relationship Management System (CRM). In 2010, CRM became a stable operational process and at the same time assisted in generating significantly more income. It also created a more comfortable environment for our clients.

The number of credit cards issued by Raiffeisenbank increased by 33 per cent. In March, our fourth co-branded project was launched: the ELLE-Raiffeisenbank MasterCard, which has a unique design and gives its holder privileges and discounts from the project partners. One of the priorities in our work with credit and debit cards is to ensure the security of our clients' funds. In 2010, we therefore transferred all VISA cards to the chip system, thereby significantly enhancing the level of security.

We continued to work on improving the effectiveness of the regional network, and almost completely switched to the new format «one branch – one federal district». Through this network, our regional offices are now more manageable and more focused on generating new business. 28 branches were successfully refurbished in 2010. Refurbishment will continue until the end of 2011. We opened four new operational offices, namely in Togliatti, Tyumen, Magnitogorsk and Moscow. Magnitogorsk represents a new regional presence for Raiffeisenbank.

Maintaining a high quality of customer service is one of our top priorities, so we are paying particular attention to its improvement. In 2010, we implemented a system for measuring the quality of customer service at our sales outlets. The quality index is a management tool helping us to improve. This is very important because the expectations of our customers are growing and need to be met.

I would like to highlight the successes of our subsidiaries Raiffeisen Leasing, Raiffeisen Capital, NPF Raiffeisen and Raiffeisen Life Insurance Company. These companies are continuing to successfully develop, and they hold a worthy position in the market.

In 2010, Raiffeisen Capital Management was ranked number one in terms of assets raised to its mutual funds, which were worth RUR 2.4 billion at year-end. With such performance figures, the company significantly strengthened its position in the fund investment market and is now the third largest manager of public mutual funds.

NPF Raiffeisen expanded its team in the year under review, launched the new service «remote access to retirement accounts», and implemented a new way to promote its mandatory pension insurance services. All of this serves to reach the fund's objective of entering the Top-20 National Pension Funds by 2013.

For Raiffeisen Life, 2010 was marked by the company's success in terms of the development of banking insurance. Savings and financial protection products were integrated into the product line across all the bank's retail segments. The sales figures were excellent. Raiffeisenbank acquired a 25 per cent stake in Raiffeisen Life in 2010.

During the crisis, Raiffeisen-Leasing paid increased attention to streamlining its internal procedures, improving the efficiency of both internal processes as well as staff training. This prepared the company for the revival of the market. As a result, Raiffeisen Leasing was able to enter a phase of rapid growth and to lay a good foundation for the even more significant step in its development expected in 2011.

We are maintaining our focus on becoming one of the best and most efficient banks in Russia, widely represented in the regions and with impeccable reputation. Our steadfastness in this objective is one of the key foundations of our success.

On behalf of the Board of Raiffeisenbank, I express my sincere gratitude to all employees for their professionalism, dedication and drive for results. We are proud of our wonderful team, which is capable of solving business problems of any complexity and through which we maintain our position as one of the most reliable banks in Russia.

I also convey my appreciation and gratitude to our customers and partners for their trust and for our mutually beneficial cooperation.

Together, we are ready for more success in 2011!



Pavel Gurin  
Chairman of the Board  
ZAO Raiffeisenbank

# Managing Board of ZAO Raiffeisenbank

## **Arndt Roechling**

Member of the Board,  
Head of Financial Directorate

## **Oxana Panchenko**

Member of the Board, Head of Corporate  
Banking and Corporate Finance Directorate

## **Pavel Gurin**

Chairman of the Board



**Sergey Monin**

Deputy Chairman of the Board,  
Head of Treasury Directorate



**Andrey Stepanenko**

Member of the Board, Head of Retail Private  
Individuals Directorate



**Dirk Hinze**

Member of the Board, Head of Retail Business  
Optimization Directorate

